DEC 29 1974

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1974

No. 74-770

CELANESE CORPORATION AND FIBER INDUSTRIES, INC.,
*Petitioners,*

v.

ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES AND AERCT, INC.,
*Respondents.*

## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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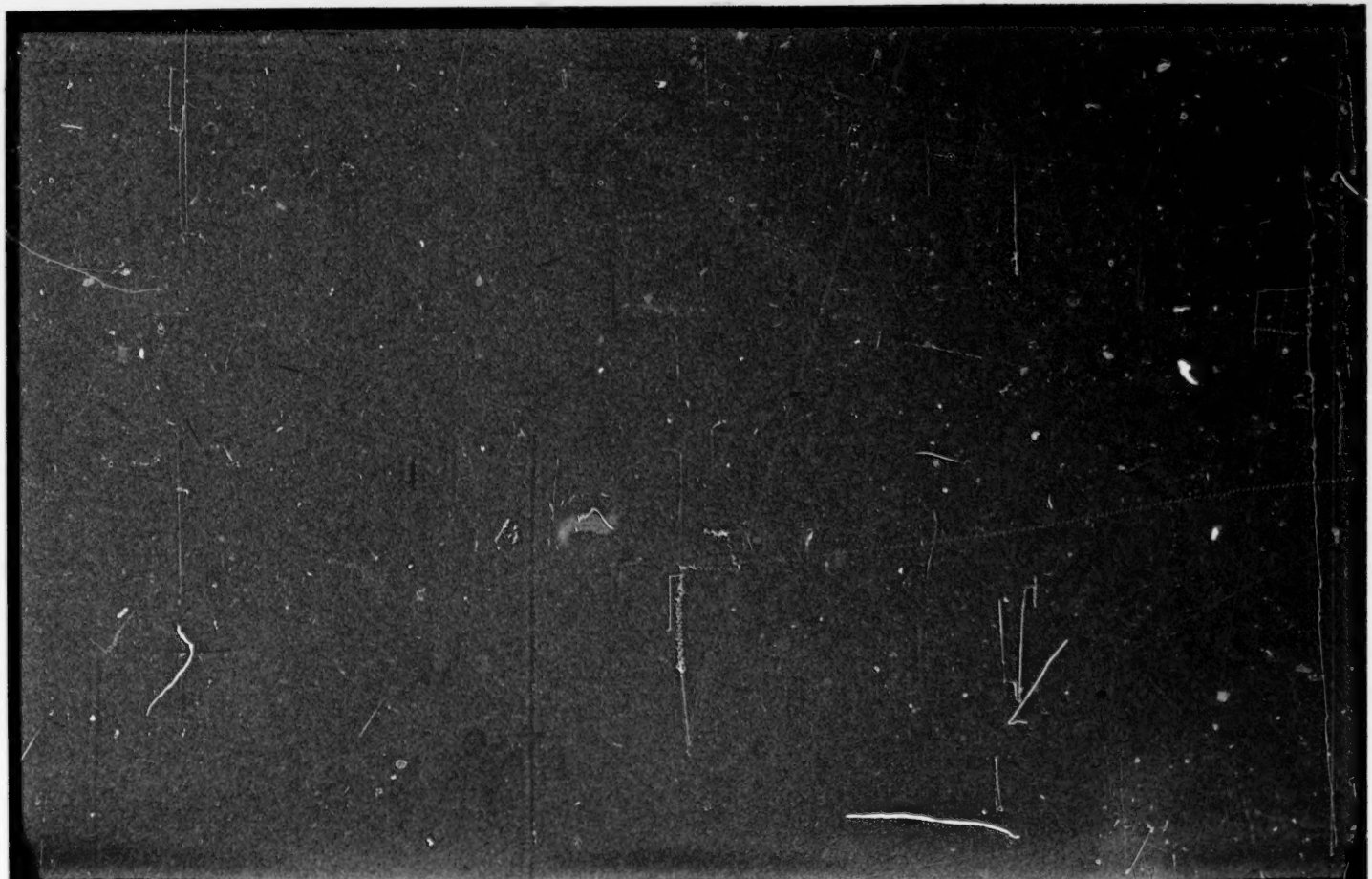

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## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Petitioners pray that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Fourth Circuit entered in this proceeding on August 15, 1974.

## THE OPINIONS BELOW

The opinion of the Court of Appeals is reported at 502 F.2d 188 and is reproduced *infra*, 1a to 8a. The July 13, 1973 order of the United States District Court for the District of South Carolina is unreported, but is reproduced *infra*, 9a to 14a. The November 15, 1973

order of the United States District Court for the Middle District of North Carolina, also unreported, is reproduced *infra*, 15a to 17a. The unreported October 25, 1973 memorandum of the same court appears *infra*, 18a to 24a.

## JURISDICTION

The opinion of the Court of Appeals for the Fourth Circuit was filed on August 15, 1974. A timely petition for rehearing was denied September 17, 1974 (*infra*, p. 25a) and this petition for writ of certiorari is filed prior to the December 23, 1974 date to which petitioner's time for filing was extended by this Court's order of December 13, 1974. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

## QUESTIONS PRESENTED

1. May the president and alter ego of a French corporation and its subsidiary, a North Carolina corporation, both of which have been held to be "resident" in South Carolina for purposes of long arm service of a summons and complaint in one civil action, be treated as "non-resident" in South Carolina in order to grant immunity from personal service of a subpoena to testify in his corporate capacity in a different civil action involving many of the same facts?

2. Does a federal district court have power relative to a particular witness in a particular case,

(a) to suspend, *sua sponte*, the direction of Federal Civil Rule 45(a) that "[t]he clerk shall issue a subpoena . . . signed and sealed . . . to a party requesting it . . ." or

(b) to hold that "[p]roof of service of a notice to take a deposition . . ." is not a sufficient authorization for the issuance by the clerk of the district court for the district in which the deposition is to be taken . . ." of a subpoena

for the person named despite the contrary provision of Rule 45(d)?

3. Does a federal district court have discretion under Federal Civil Rule 26(c), absent a showing of good cause, to enter a protective order effectively excusing two corporations from giving testimony through their president for use in an action pending before a different federal district court?

(a) If not, is good cause supplied by the circumstance that the same corporations have testified through the same individual officer as to some but not all of the pertinent facts in a deposition taken by different parties in a related but different action pending before a different court at which the party now seeking the testimony was not permitted to be represented?

## INVOLVED CONSTITUTIONAL AND RULE PROVISIONS

This case involves construction of the Due Process Clause of the Fifth Amendment of the Constitution and each of Rules 26(c) and 45(a), (c) and (d).

The Fifth Amendment is as follows:

> "No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when actual service in time of War or public danger; nor shall any person be subject for the same offence to be twice put in jeopardy of life or limb; nor shall be compelled in any criminal case to be a witness against himself, nor be deprived of life, liberty or property, without due process of law; nor shall private property be taken for public use, without just compensation."

Rule 26(c) provides:

"Protective Orders. Upon motion by a party or by the person from whom discovery is sought, and for good cause shown, the court in which the action is pending or alternatively, on matters relating to a deposition, the court in the district where the deposition is to be taken may make any order which justice requires to protect a party or person from annoyance, embarrassment, oppression, or undue burden or expense, including one or more of the following: (1) that the discovery not be had; (2) that the discovery may be had only on specified terms and conditions, including a designation of the time or place; (3) that the discovery may be had only by a method of discovery other than that selected by the party seeking discovery; (4) that certain matters not be inquired into, or that the scope of the discovery be limited to certain matters; (5) that discovery be conducted with no one present except persons designated by the court; (6) that a deposition after being sealed be opened only by order of the court; (7) that a trade secret or other confidential research, development, or commercial information not be disclosed or be disclosed only in a designated way; (8) that the parties simultaneously file specified documents or information enclosed in sealed envelopes to be opened as directed by the court.

"If the motion for a protective order is denied in whole or in part, the court may, on such terms and conditions as are just, order that any party or person provide or permit discovery. The provisions of Rule 37(a)(4) apply to the award of expenses incurred in relation to the motion."

Rule 45, in pertinent portion, provides:

"(a) For Attendance of Witnesses; Forms; Issuance. Every subpoena shall be issued by the clerk under the seal of the court, shall state the name of the court and the title of the action, and shall command each person to whom it is directed to attend

and give testimony at a time and place therein specified. The clerk shall issue a subpoena, or a subpoena for the production of documentary evidence, signed and sealed but otherwise in blank, to a party requesting it, who shall fill it in before service.

* * * *

"(c) Service. A subpoena may be served by the marshal, by his deputy, or by any other person who is not a party and is not less than 18 years of age. Service of a subpoena upon a person named therein shall be made by delivering a copy thereof to such person and by tendering to him the fees for one day's attendance and the mileage allowed by law. When the subpoena is issued on behalf of the United States or an officer or agency thereof, fees and mileage need not be tendered.

"(d)(1) Proof of service of a notice to take a deposition as provided in Rules 30(b) and 31(a) constitutes a sufficient authorization for the issuance by the clerk of the district court for the district in which the deposition is to be taken of subpoenas for the persons named or described therein. . . ."

## STATEMENT OF THE CASE

This petition is from a decision (1a to 8a) rendered in a consolidated appellate proceeding in which a panel of the Court of Appeals for the Fourth Circuit, one judge dissenting, affirmed orders (9a-14a) of two of its district courts which effectively refused petitioners the right to take oral deposition testimony of Henri Crouzet in his capacity as president of two corporations who are respondents here, for the use in Civil Action 71-1026-Civ-CA pending as a part of MDL No. 82 before the District Court for the Southern District of Florida.

### A. Background

Crouzet's testimony in his corporate capacity is germane to two presently pending, complex multiparty patent and antitrust proceedings—(1) Consolidated Civil Action 71-306, pending before the District Court for the District of South Carolina, to which respondents are parties, and (2) MDL No. 82 in Florida to which petitioners are parties.[1] His oral deposition testimony has been given for use in the South Carolina case but not in the Florida case. His South Carolina testimony is inadmissible for any purpose in Florida in the circumstance that neither petitioners nor their Florida opponents have had an opportunity to examine or cross-examine.

Both Consolidated Civil Action 71-306 and MDL No. 82 involve issues of whether patents relating to the false twist texturing of synthetic yarn are invalid, noninfringed and unenforceable because used by their respective owners in violation of the antitrust laws. Different sets of patents relating to the false twist technology are at stake in each case, however, and they are controlled by different patent owners.

In Florida the patentee parties are Leesona Corporation, Lex-Tex Ltd., Inc., the Permatwist Company (a four member partnership) and its individual partners. In South Carolina the patentee parties are Ateliers Roannais de Constructions Textiles ("ARCT-France") and ARCT, Inc. ("ARCT-US"), respondents here, plus Moulinage et Retorderie de Chavanoz ("Chavanoz"), Deering Milliken Research Company ("DMRC"), and its parent, Deering Milliken, Inc. ("DMI"). These two separate patentee party groups are, and for many years

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[1] For further background as to MDL No. 82, see *In re Yarn Processing Patent Validity and Antitrust Litigation*, 341 F.Supp. 376 (J.P.M.L. 1972); 360 F.Supp. 74 (S.D.Fla. 1973), reversed 498 F.2d 271 (5 Cir. 1974); —— F.Supp. ——, 182 U.S.P.Q. 323 (S.D.Fla. 1974), multiple appeals now pending.

have been, competitors in the sale of false twist texturing machinery and in the licensing of patents purportedly covering the right to use the false twist machines. In 1964 the two groups entered into a worldwide settlement agreement—or "patent exploitation treaty"—terminating litigation wherein each group was engaged in challenging the patents of the other.[2] One of the antitrust questions raised in both Florida and South Carolina is whether this 1964 "treaty" is in violation of the antitrust laws.

Crouzet in his capacity as president of the respondent ARCT companies has personal knowledge of the negotia-

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[2] The South Carolina court observed in an early stage of the South Carolina case, reported as *Duplan Corp.* v. *Deering Milliken, Inc.*, 334 F.Supp. 703, 708 (D.S.C. 1971), that:

> ". . . on March 31, 1964, the defendants ARCT-France and Chavanoz together with DMRC and Whitin Machine Works entered into a patent exploitation treaty with the only American manufacturer of competing machinery, Leesona Corporation. This treaty of March 31, 1964, terminated vigorous litigation then pending simultaneously in South Carolina and Massachusetts and guaranteed forever after that the parties would not attack each other while they both asserted their patent claims against throwsters in this country. Thus, litigation which might have determined the validity and enforceability of some of these patents as early as 1964 was abated."

"Whitin Machine Works" referred to in the quotation has been superseded subsequent to March 31, 1964 by ARCT-US as the specific member of the South Carolina patentee group which solicits ARCT false twist texturing machinery sales, services such machinery and generally performs as the agent of ARCT-France in the United States.

The reference to "Leesona Corporation" fails to take account of Leesona's relationship, then and now, with Permatwist Company—a relationship which since 1954 has involved joint exploitation of patents now in suit in Florida and applications for such patents. The other corporate patentee in Florida, Lex-Tex, is a patent holding company created in 1967 to hold title to certain of the patents in suit in Florida. All of the stock of Lex-Tex is owned in equal shares by Robert F. Conrad, Leesona's patent trial counsel for many years, and Frederick C. Tecce, Permatwist's general counsel who is also the son of a Permatwist partner.

tion of, and performance under, the challenged 1964 "treaty" agreement. In addition, he is knowledgeable, on behalf of these companies, about false twist texturing technology, being a named inventor on many of the 22 patents originally in suit in South Carolina.[3] Hence he can testify as to the scope and content of the prior art germane to the patents in suit in Florida.[4] He can also give important testimony in petitioners' case in Florida refuting a charge by Leesona that petitioners have conspired with the respondent ARCT companies to induce synthetic yarn processors ("throwsters") to boycott Leesona false twist texturing machinery.[5]

### B. The South Carolina Case

In 1972 the Florida court expressed its view that the Crouzet testimony should be available in MDL No. 82[6] and suggested that he be subpoenaed by petitioners while physically present in South Carolina for testimony in Civil Action 71-306.[7]

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[3] Various of the patents in suit in South Carolina have been finally adjudged invalid or noninfringed and are no longer in issue there. See, e.g., the decisions reported at 487 F.2d 459, 370 F. Supp. 730 and 370 F.Supp. 769.

[4] See *Graham* v. *John Deere Co.*, 383 U.S. 1 (1966).

[5] This is a specific matter raised only in Florida on which Crouzet has not testified in South Carolina, nor has anyone else who could speak for respondents.

[6] This view was adhered to in October, 1973 when the Florida court denied a motion by petitioners' opponent Leesona to quash the notices to take respondents' depositions through Crouzet in North Carolina.

[7] Notably, testimony has been taken in the South Carolina case of Florida patentee party witnesses who, like Mr. Crouzet, were personally instrumental in the negotiation of the challenged "treaty" agreement and the parties' subsequent performance under it. These witnesses include Robert Leeson, previously president and board chairman of Leesona Corporation, but now retired, and Albert

Petitioners' efforts to implement this suggestion met with no success.[8] The South Carolina court initially orally and informally instructed its clerk not to issue any subpoena for testimony by Crouzet based on proof of service of a deposition notice in the Florida case.

Later, petitioners moved formally for issuance of a subpoena compelling testimony by Crouzet in his capacity as president of both respondents, to be taken in the Florida case *after* conclusion of his deposition in the South Carolina case, and the motion was refused. In an order drafted by respondents' counsel, the South Carolina court held:

> ". . . that to issue a subpoena to compel Henri Crouzet to testify by deposition in the Florida Action, as requested by Petitioners in this matter, would interfere with the progress of the cause now pending before it and which has been pending many months; that the issuance of a subpoena or any other process against Mr. Crouzet while in this

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P. Davis, presently and for many years Leesona's house patent counsel.

In taking this testimony, the South Carolina parties largely endeavored only to supplement and clarify, and cross-examine on, previous deposition testimony taken in the Florida case, incorporating verbatim in the South Carolina record as much as possible of the Florida deposition transcripts. Petitioners have consistently undertaken, throughout proceedings in the North Carolina district court and in the Fourth Circuit, that the South Carolina deposition testimony of Mr. Crouzet would similarly be incorporated verbatim, insofar as possible, in the Florida record and that further testimony would not duplicate, but would supplement and clarify, and constitute cross-examination on, the South Carolina record. Petitioners did not get access to the South Carolina testimony of Crouzet until fall of 1973.

[8] Efforts by petitioners to be permitted to participate, and to notice their Florida opponents to participate, in the Crouzet South Carolina deposition so as to render it admissible in Florida were also unsuccessfully made. The South Carolina court denied petitioners' motion for lack of "standing" and the Fourth Circuit denied mandamus.

country to attend proceedings in this Court and give testimony would prevent or might tend to discourage his appearance when the Court feels it is necessary or appropriate to the judicial administration of justice that Mr. Crouzet appear in this case. The Court also concludes that under the authorities referred to herein, Mr. Crouzet is entitled as a matter of law to such immunity while in this country to attend proceedings in this Court." (13a)

The ruling is totally anomalous.

The gratuitous holding that the issuance of the subpoena "would interfere with the progress of" the South Carolina case was not supported by evidence of any nature in the motion record before the court. There was likewise no evidence in the motion record that the issuance of the subpoena "would prevent or might tend to discourage his [Crouzet's] appearance" in South Carolina.

The immunity ruling seems inconsistent, moreover, with the South Carolina court's own earlier fact findings and conclusions in *Duplan Corp.* v. *Deering Milliken, Inc.*, 334 F.Supp. 703 (D.S.C. 1971) to the effect that both ARCT companies are "resident" in South Carolina for purposes of long arm service of the summons and complaint in C.A. 71-306, and recognizing that Crouzet, as president of both, is their *alter ego*.

The inconsistency is particularly pointed up by the decision in *Gardner* v. *United States*, 246 F.Supp. 1014 (S.D.N.Y. 1965), relied upon by petitioners before the South Carolina court. *Gardner* holds in substance that those who are subject to long arm service in a particular district cannot be treated as "non resident" for purposes of immunity from service of further process during an actual sojourn in the district. The South Carolina court simply ignored *Gardner*, asserting that it "did not involve facts [in] any way comparable to those on this

motion" (12a)—apparently because the "process" in issue was a summons and complaint rather than a subpoena.

On appeal, petitioners urged that the immunity doctrine—and particularly its application to parties who are constructive "residents" of a district for purposes of long arm service of process—should be carefully reconsidered. The Fourth Circuit did not even trouble to discuss the point. Purportedly applying the rationale of *Stewart* v. *Ramsay*, 242 U.S. 128 (1916) the majority of that court instead held that:

> "The present case falls within the classic rationale of *Stewart* since, aside from the fact that the intrusion of the petitioners upon the complex proceedings in South Carolina would have been most disruptive, it appears that Crouzet was in ill health and was exceedingly reluctant to make the trip from France to the United States for the purpose of giving his deposition.[9] Accordingly, the action of the district judge in No. 73-1930 is affirmed." (3a)

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[9] As petitioners' timely petition for rehearing pointed out, the appellate record, like that in the South Carolina court, is devoid of evidence supporting the conclusion of a "disruptive" effect on the South Carolina case if testimony in the Florida case had gone forward. Indeed, the dissenting opinion acknowledges that petitioners sought to take Crouzet's testimony only *after* he "had completed his duties with respect to the South Carolina suit" (6a).

Rehearing was also sought because petitioners never had access to, or an opportunity to meet, evidence showing Crouzet's alleged "ill health" or demonstrating his alleged "reluctance" to travel from France to the United States for testimony—if any such evidence, indeed, exists.

In addition—and most importantly—the Fourth Circuit was asked to explain how Crouzet, by operation of a law a resident of North and South Carolina for long arm service of process in his capacity as president of the ARCT French and American companies, can legitimately claim *bona fide* "non-resident" status for purposes of immunity from service of a subpoena to testify.

The appellate court simply denied rehearing (25a) without comment.

The dissenting judge also evaded the issue which petitioners posed, but did so by taking the tack that the South Carolina order expired once Crouzet's South Carolina deposition was completed and he had returned to France, thereby rendering controversy about that order moot.[10]

### C. The North Carolina Case

Petitioner's effort to go forward with respondents' testimony through Crouzet under the supervision of the North Carolina court was initiated after the South Carolina order was entered in the hope of avoiding the need for time-consuming appellate review of that order and obtaining the testimony promptly. Pursuant to this effort, petitioners in August, 1973, noticed respondents' depositions through Crouzet, procured subpoenas from the District Court for the Middle District of North Carolina and caused service to be made by delivering the subpoenas to the resident vice president of respondent ARCT-US at its principal office in Greensboro, North Carolina, where it acts, as the South Carolina court earlier found, as "an active and subservient subsidiary" of respondent ARCT-France "intent on the American busi-

[10] The dissent thus ignored the continuing suspension in South Carolina of the district court clerk's power under Rule 45 to issue a subpoena for Crouzet to testify in the Florida case, as well as the fact that this suspension of the rules, by preventing issuance and service of process—which in an ordinary case guarantees the effectiveness of appellate review to give redress—would thus have accomplished indirectly what the rules prevent the district courts from doing directly, making the South Carolina district court a court of last resort by its own fiat.

In addition, the dissenting judge seems to have forgotten that Crouzet, being subject to South Carolina long arm service in his corporate capacity, was not beyond the jurisdiction of the South Carolina court to recall just because he had returned to France—with the necessary result that a determination in petitioners' favor could and should have obligated the court to take steps to effect recall.

ness of the parent, directly and indirectly". *Duplan Corp.* v. *Deering Milliken, Inc., supra,* 334 F.Supp. at 712.[11]

Both respondents promptly moved to quash service of the subpoenas and sought a protective order directing that the Crouzet testimony not go forward. The excuse advanced to justify the protective order was that Crouzet had already testified extensively in the factually related South Carolina case. No effort was made to explain how petitioners and their opponents in MDL 82, who are not parties to the South Carolina case and hence were not represented at any portion of the previous Crouzet testimony could make evidentiary use of that testimony in Florida.[12]

Respondents otherwise presented no facts to justify the requested protective order.

After an oral hearing of which no transcript was made, the South Carolina court dictated a memorandum (18a-24a) and entered an order (15a-17a) written by respondents' counsel directing that the subpoenas should be quashed without prejudice to an application for new subpoenas on a showing that (a) the use of letters rogatory will not produce the information sought,[13] (b)

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[11] In other words, and notwithstanding respondents' obviously frivolous attempt at challenge to the service on ARCT-France, on which the North Carolina court reserved ruling, ARCT-France does business in North Carolina and is a constructive "resident" of the Middle District for long arm service purposes. This conclusion is amply supported by the particularized and complete fact findings in the cited *Duplan* case.

[12] It is emphasized that petitioners have consistently asserted their intention to utilize as much as possible of the South Carolina deposition transcript in the Florida case and *not* to duplicate, but only to supplement and clarify the testimony it contains, as well as to afford an opportunity for cross-examination on the whole of the resultant record. See note 7, *supra,* pp. 8-9.

[13] Petitioners actually made such a showing at oral argument in the North Carolina court and again in writing before the Fourth

that the South Carolina deposition cannot be used *per se* in its present form in MDL docket No. 82,[14] (c) that even if the South Carolina deposition can be used it will not produce the information sought from Crouzet,[15] and (d) that no other reasonable method will produce the information sought.[16]

The Fourth Circuit affirmed this order, holding that "under the circumstances of this case there was no abuse of discretion by the district judge in entering this protective order. . . ." (4a). Petitioner's point—that since no good cause showing was made, the court lacked discretion to enter *any* protective order, was simply ignored.[17]

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Circuit. The showing was ignored on both occasions. Specifically, petitioners pointed out that letters rogatory are not enforced in France, citing Moore's Federal Practice, 2d Ed. (1948) Sec. 2805 at p. 1931, note 13, and Doyle, "Taking Evidence by Deposition and Letters Rogatory and Obtaining Documents in Foreign Territory", 1959 Proc. ABA Sec. Int'l. and Comp. L. 37 at p. 39, note 12. Respondents have not refuted this showing.

[14] Neither court below came to grips with the legal axiom that any suggestion for admitting a deposition in evidence against parties having no opportunity to attend and participate in its taking transgresses elemental due process—which seems, *a fortiori*, to constitute the requested showing on this point, as petitioners repeatedly pointed out.

[15] This showing is implicit in petitioners' repeatedly asserted need to supplement and clarify the South Carolina testimony. See also note 7, *supra*, pp. 8-9, and 12, *supra*, p. 13.

[16] Petitioners note that no other South Carolina patentee party witness having Crouzet's breadth of exposure to relevant facts has been suggested. The South Carolina court in a February, 1974 opinion, —— F.Supp. ——, which was reversed by the Fourth Circuit on October 18, 1974 on a legal point, —— F.2d ——, found that other actors in the negotiation and performance of the challenged 1964 "treaty" were either deceased or possessed of exceptionally poor memories.

[17] The same point was raised on rehearing and again ignored by the appellate court.

The dissenting judge did not deal directly with Rule 26(c) but suggested that the North Carolina order be vacated and remanded with a direction to dismiss the respondents' motion to quash as moot in view of respondents' counsels' agreement at oral argument that the testimony could go forward in France under the North Carolina court's supervision.[18]

## REASONS WHY THE WRIT SHOULD BE GRANTED

1. Two separate and important questions of federal procedural law are presented which regularly arise in many cases and have not been, but should be, settled by this Court. Specifically:

(a) This Court last considered the so-called "immunity doctrine" on its merits over 40 years ago in *Lamb* v. *Schmitt*, 285 U.S. 222 (1932). In *Lamb*, the Court reaffirmed its prior holding in *Stewart* v. *Ramsay*, 242 U.S. 128, 136 (1916), quoted and relied upon by the court below (2a-3a) immunity "is the privilege of the court, rather than of the defendant. It is founded in

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[18] This oral argument agreement by respondents' counsel was shortlived. Counsel for respondent ARCT-US began qualifying it in informal courtroom conversation with petitioners' counsel just as soon as the panel retired, stating that a two-day time limit must be imposed on examination and cross-examination. Petitioners' counsel on April 6, 1974—two days after the hearing—proposed in writing a complete stipulation including more liberal time conditions (*i.e.*, 36 hours maximum for direct testimony) based on the fact that Mr. Crouzet, though understood to be fluent in English, prefers to testify in French, thereby effectively doubling the deposition time normally needed to accomplish a given amount of interrogation.

The result was a letter from counsel for respondent ARCT-US, dated April 23, 1974 declining further discussion of the matter except on his originally informally postulated, more restrictive terms. Copies of the relevant letters were transmitted to the Fourth Circuit clerk on May 2, 1974 for distribution to the panel and presumably were before it when the August 15, 1974 decision below was rendered.

the necessities of the judicial administration, which would often be embarrased, and sometimes interrupted, if the suitor might be vexed with process while attending upon the Court for the protection of his rights, or the witness while attending to testify."

Explaining the limits of the doctrine, this Court in *Lamb* further held:

> *"It follows that the privilege should not be enlarged beyond the reason upon which it is founded, and that it should be extended or withheld only as judicial necessities require* . . . . [citations omitted] Limitations of it on this basis have been not infrequently made because the attendance upon the trial of a cause, however vital to the personal interests of those concerned, was not for the purpose of facilitating the progress of the cause . . . . [citations omitted]; *or because the service was made on one whose attendance was not voluntary, and hence had no tendency to interfere with judicial administration.* Netrograph Mfg. Co. v. Scrugham, 197 N.Y. 337, 27 L.R.A. (N.S.) 333, 134 Am. St. Rep. 886, 90 N.E. 962, supra." (285 U.S. at 225-6; emphasis added).

In 1948 the District Court for the District of Massachusetts in *United States* v. *Conley*, 80 F.Supp. 700, 702 pointed out that this Court's citation with approval in *Lamb* of *Netograph Mfg. Co.* v. *Scrugham* casts considerable doubt upon the correctness of the decision in *Dwelle* v. *Allen*, 193 F.2d 546 (S.D.N.Y. 1912), quoted with approval in the South Carolina district court order (13a). *Shapiro & Son Curtain Corp.* v. *Glass*, 348 F.2d 460 (2 Cir. 1965), relied upon by the Fourth Circuit (2a), and its antecedent *In re Equitable Plan Co.*, 277 F.2d 319 (2 Cir. 1960), cited by the South Carolina district court (13a) are directed progeny of the questionable decision in *Dwelle.*

The Southern District of New York which spawned *Dwelle* and its progeny recognized in *Gardner* v. *United States*, supra, p. 10, that "judicial necessities" cannot justify extending immunity to a witness or party amenable to long-arm service from the district in which the immunity is sought.

Professors Wright and Miller in "Federal Practice and Procedure" § 1076 (1969) have urged reconsideration of the immunity doctrine in relation to long arm statutes, saying

> ". . . [T]he rapid proliferation of long-arm statutes warrants a re-evaluation of the immunity doctrine. If a person has committed an act or caused consequences within a state that are sufficient to subject him to local jurisdiction and the state has enacted a long-arm statute by which he can be served personally outside the state, or by registered mail, or by some other means, little purpose is served by giving him immunity from process while he is participating in some other litigation in the state regardless of the nature of his capacity or relationship to the pending action. This is logical because it makes little sense to grant immunity to a person who can be served in his home jurisdiction under the forum's long arm statute."

Petitioners urge that the immunity doctrine should also be re-evaluated in relation to the "judicial necessities" of modern complex multi-district litigation. The refusal of the South Carolina district court and the Fourth Circuit to attach weight to the "judicial necessities" of insuring that the whole truth about the 1964 "patent exploitation treaty" and other overlapping factual matters is equally as available to the Florida court as it is to South Carolina court is inconsistent with the recognition in other circuits that where there is commonality of facts between different cases in different courts, the need for both courts to have access to *all*

relevant facts outweighs "immunity" considerations. See *McDonnell* v. *American Leduc Petroleums, Ltd.*, 456 F.2d 1171, 1179-80 (2 Cir. 1972); *Walker* v. *Calada Materials Co.*, 390 F.2d 74 (10 Cir. 1962).[19]

(b) This Court has never construed Federal Civil Rule 26(c) or determined whether it limits the power of the lower federal judiciary to fashion protective orders.

The Fourth Circuit affirmed the North Carolina district court's order "made . . . pursuant to the discretionary power . . . vested in the court by . . . Rule 26(c)" (21a). The order was drafted by respondents' counsel who argued in both the district and appellate courts that the discretionary power conferred by Rule 26(c) is *unlimited*, notwithstanding that rule's own clear directive that protective orders may be granted *only* "for good cause shown".[20]

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[19] The general judicial duty of any federal court, in an auxiliary capacity, to compel testimony and documents for use in litigation pending before a sister court has consistently been recognized in this and many lower courts. See *ex parte Uppercu*, 239 U.S. 435 (1915); *Dowagiac Mfg. Co.* v. *Lochren*, 143 F. 211 (8 Cir. 1906); *Tucker* v. *Peiler*, 297 F. 570 (2 Cir. 1924); *Horizons Titanium Corp.* v. *Norton*, 290 F.2d 421 (1 Cir. 1961); *Olympic Refining Co.* v. *Carter*, 342 F.2d 260 (9 Cir. 1964).

It is but a corollary to the general duty of all persons to testify when properly summoned. See *United States* v. *Bryan*, 339 U.S. 329, 331-2 (1950); *Hurtado* v. *United States*, 410 U.S. 578 (1973).

[20] The argument as made by respondents is based upon an out-of-context statement taken from § 2036 of Wright & Miller, "Federal Practice and Procedure", (1971) at p. 271 to the effect that Rule 26(c) "emphasizes the complete control that the court has over the discovery process".

As petitioners pointed out, however, this statement should have been read in context with § 2035, pp. 264-266, of the same text teaching that Rule 26(c):

> ". . . requires that good cause be shown for a protective order. This puts the burden on the party seeking relief to show some plainly adequate reason therefor. *The courts have insisted on a particular and specific demonstration of fact, as*

The affirmance by the Fourth Circuit of the district court order effectively equated "good cause" to discretion for purposes of Rule 26(c). The opinion below is the only presently subsisting federal appellate ruling which so construes the ambit of Rule 26(c)'s good cause requirement.[21]

The Fourth Circuit ruling, if left unreviewed, is likely to have a far-reaching effect upon all of the federal courts because it represents a marked retreat from the same court's *refusal* in *Guilford National Bank* v. *Southern*

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*distinguished from stereotyped and conclusionary statements,* in order to establish good cause. This recognizes that the existence of good cause for a protective order 'is a factual matter to be determined from the nature and character of the information sought by deposition or interrogatory weighed in the balance of the factual issues involved in each action.'" (Emphasis added)

Moore's Federal Practice, 2d Ed. (1974), Section 26.69, also emphasizes with respect to Rule 26(c) and related Rule 30(d) that:

". . . . *All motions under these subparagraphs of the rule must be supported by 'good cause' and a strong showing is required before a party will be denied entirely the right to take a deposition.* A mere allegation, without proof, that the deposition is being taken in bad faith is not a sufficient ground for such an order. Neither is an allegation that it will subject the party to a penalty or forfeiture. *The mere fact that the information sought by deposition has already been obtained through a bill of particulars, interrogatories, or other depositions will not suffice*; though if it is entirely repetitious a deposition may be forbidden."

[21] *Hyam* v. *American Export Lines,* 213 F.2d 221 (2 Cir. 1954) and *Tiedman* v. *American Pigment Corp.,* 253 F.2d 802 (2 Cir. 1958) cited by the Fourth Circuit are not in point and do not support the holding below. *Hyam* directed a district court to weigh all reluctant facts to determine whether a showing of good cause had been made for taking a deposition in a manner not in accordance with the original deposition notice. *Tiedman* held that it was a proper exercise of trial court discretion under former Rule 34 to deny a motion to produce documents as to which the movant "made no effort, either in his motion or by affidavit, to show good cause as required by the Rule [34] . . ." (253 F.2d at 808).

*Railway Co.*, 297 F.2d 921 (4 Cir. 1962), to equate "good cause" to discretion in the context of former Rule 34. *Guilford* has been regarded as a landmark decision and the Fourth Circuit as an authority on "good cause" because this Court in *Schlagenhauf* v. *Holder*, 379 U.S. 104 (1964) quoted with approval the *Guilford* interpretation of "good cause" and extended its ambit to Federal Civil Rule 35. With the Fourth Circuit now construing "good cause" oppositely in the context of Rule 26(c), many lower courts will deem it appropriate, if review is not granted, to follow *Schlagenhauf* only as to Rule 35 and to follow the decision below in interpreting Rule 26 (c). Protective orders, moreover, are an obstacle to the elicitation of the whole truth in civil litigation; hence it is particularly important that this Court define the limits of the power of the lower federal courts to issue them.

2. The South Carolina court, with the full approbation of the Fourth Circuit, has so far departed from the accepted course of judicial proceedings in civil cases as to call for an exercise of this Court's power of supervision.

*A fortiori*, the Federal Rules of Civil Procedure define the accepted course of judicial proceedings for all civil cases. Neither these rules themselves nor any statute authorize a district judge to suspend the operation of a particular rule for any purpose. In this case the South Carolina court suspended Rule 45 arbitrarily, instructing its clerk to issue no subpoena for Crouzet's testimony on proof of service of a notice to take his deposition in the Florida case. Petitioners were thus forced to move formally for a subpoena. The South Carolina court thereby shifted the presumptions and burden of proof on the immunity question to petitioners' prejudice and, in the view of the dissenting judge, relieved Crouzet from the duty to which he would have been subject if the subpoena had been served and quashed, of reappearing to testify in the event of appellate reversal of the South Carolina immunity order.

Such arbitrary extrajudicial acts not only deprive individual litigants of procedural due process, as petitioners were deprived in the South Carolina court, but also adversely affect the overall administration of justice by decreasing public confidence in the judiciary and the judicial system.

The Fourth Circuit was able to justify the district court's conduct *only* by making unsupported *de novo* fact findings concerning Crouzet's illness and reluctance to come to the United States (p. 11, *supra*, including note 9), thereby derogating its own appellate function in contravention of this Court's rulings in such cases as *Hormel* v. *Helvering*, 312 U.S. 552, 556 (1940) and *Zenith Radio Corp.* v. *Hazeltine Research*, 395 U.S. 100, 123 (1969) and further compounding the denial of procedural due process to petitioners.[22]

3. Review should be granted because of the importance to the totality of the synthetic yarn and fabric industry in the United States of the outcome of the complex patent-antitrust litigations now pending in both Florida and South Carolina.

The Fourth Circuit acknowledged that the South Carolina case is "a complex patent and antitrust suit" (1a) but characterized the Florida case as merely "a patent suit" (1a), failing to note that it, too, includes antitrust issues and among them, the issue of whether the challenged 1964 "patent exploitation treaty" (*supra*, note 2, p. 7) is in violation of the antitrust laws.

The patents in suit in both courts are said to dominate the false twist texturing industry, including the manufacture of double knit yarn. The treaty has governed

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[22] "Appellate courts must constantly have in mind that their function is not to decide factual issues *de novo*", *Zenith*, *supra*, lest "litigants . . . be surprised on appeal by final decision there of issues upon which they have had no opportunity to introduce evidence", *Hormel*, *supra*.

important aspects of the exploitation of all patents in suit in both Florida and South Carolina since 1964 and that of their counterparts throughout the world. The outcome of the Florida and South Carolina litigations will affect every segment of the involved industry at every stage of manufacture and sale from yarn to finished goods. At the very least, *both* the Florida and South Carolina courts should have *all* of the relevant facts upon which to base their decisions. Otherwise, there is a real danger of different conclusions in the different courts because of evidentiary disparity—a result which will at best lead to judicially wasteful retrials and the like, and at worst to commercial inequities throughout the synthetic yarn and textile industries.

## CONCLUSION

The writ should be granted.

Respectfully submitted,

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# APPENDIX

APPENDIX

## APPENDIX

### DECISION OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DATED ~~APRIL~~ August 15, 1974 NES 12/23/74

FIELD, Circuit Judge:

These consolidated appeals involve the efforts by counsel for Celanese Corporation and Fiber Industries, Inc., (hereinafter referred to as "petitioner") to take the oral deposition of Henri Crouzet for use in a patent suit presently pending in the Southern District of Florida. Crouzet, a citizen and resident of France, is president of Ateliers Roannis de Constructions Textiles (hereinafter referred to as "ARCT-France") and ARCT, Inc., both of which companies are parties in a complex patent and antitrust suit pending in the District of South Carolina. Neither of the petitioners is a party to the South Carolina action and neither ARCT-France, ARCT, Inc., nor Crouzet is a party to the Florida litigation.

The background of the South Carolina appeal may be briefly stated as follows: Upon learning that Crouzet would be in South Carolina for the taking of his deposition in that litigation, counsel for petitioners noticed his deposition in the Florida litigation for the purpose of obtaining a subpoena from the Clerk of the District Court of South Carolina pursuant to Rule 45(d), Fed. R. Civ. P. They were advised, however, that the court had directed the Clerk not to issue subpoenas directed to any French witnesses during the time they were present in South Carolina for depositions incident to the South Carolina litigation. Eventually, a formal motion for a subpoena was filed by the petitioners and after a hearing thereon the court entered an order to the effect that during Crouzet's presence in the United States for the purpose of giving testimony in the South Carolina

litigation he should be immune from service of subpoena or other process in the litigation pending in the Southern District of Florida. The petitioners appeal from this order.

We think the district judge acted appropriately in immunizing Crouzet from the service of the subpoena during the time he was present in the District of South Carolina for the purpose of giving his deposition in the litigation pending in that district. This action of the court was consonant with the general rule that witnesses and parties attending a judicial proceeding outside the territorial jurisdiction of their residence are immune or exempt from service of civil process in another suit while in attendance at court in that jurisdiction. *Stewart* v. *Ramsay*, 242 U.S. 128 (1916); *Moylan* v. *AMF Overseas Corporation*, 354 F.2d 825 (9th Cir. 1965); *Shapiro & Son Curtain Corp.* v. *Glass*, 348 F.2d 460 (2 Cir. 1965).

In *Stewart* v. *Ramsay, supra*, the nature of the privilege was stated in the following terms:

> "The true rule, well founded in reason and sustained by the greater weight of authority, is, that suitors, as well as witnesses, coming from another State or jurisdiction, are exempt from the service of civil process while in attendance upon court, and during a reasonable time in coming and going."

242 U.S. at 129.

Quoting from *Parker* v. *Hotchkiss*, 1 Wall. Jr. 269, the Court went on to say:

> " 'The privilege which is asserted here is the privilege of the court, rather than of the defendant. It is founded in the necessities of the judicial administration, which would be often embarrassed, and sometimes interrupted, if the suitor might be vexed with process while attending upon the court for the pro-

tection of his rights, or the witness while attending to testify.'"

*Id.*, at 130.

The present case falls within the classic rationale of *Stewart* since, aside from the fact that the intrusion of the petitioners upon the complex proceedings in South Carolina would have been most disruptive, it appears that Crouzet was in ill health and was exceedingly reluctant to make the trip from France to the United States for the purpose of giving his deposition. Accordingly, the action of the district judge in No. 73-1930 is affirmed.

Coincidentally with the proceedings in South Carolina the petitioners attempted to subject Crouzet to a subpoena issued out of the Middle District of North Carolina through the service of subpoenas directed to ARCT-France and ARCT, Inc., the latter being a North Carolina corporation with its principal office and place of business in Guilford County, North Carolina. The subpoenas were served upon a vice-president of ARCT, Inc., but in each instance was directed to the corporations "through Henri Crouzet, its President." The district court did not pass upon the serious question of whether Crouzet as an individual could properly be subpoenaed through service upon the corporations neither of which was a party to the Florida litigation, but acting under Rule 26(c), Fed. R. Civ. P., entered an order quashing the subpoenas. The order expressly provided, however, that it was without prejudice to the rights of the plaintiffs to again apply for the issuance of such subpoenas upon a showing "that the use of letters rogatory (28 USC 1781; Federal Rules of Civil Procedure 28(b)) or stipulations allowing the use of the South Carolina depositions in the Florida litigation, will not produce the information needed by the plaintiffs, or some other reasonable method will not suffice to gain needed evidence from Henri Crouzet." The court

also left open the question of the authority or jurisdiction to issue subpoenas for Crouzet in such fashion in the Middle District of North Carolina.

Our review of the record persuades us that under the circumstances of this case there was no abuse of discretion by the district judge in entering this protective order and quashing the subpoenas. *Cf.*, *Hyam* v. *American Export Lines*, 213 F.2d 221 (2 Cir. 1954). *See Tiedman* v. *American Pigment Corporation*, 253 F.2d 803 (4 Cir. 1958). Accordingly, the order of the district court in No. 73-2450 is also affirmed.

AFFIRMED in 73-1930.

AFFIRMED in 73-2450.

ADAMS, *Circuit Judge*, dissenting:

On these appeals, the majority, in affirming the order of the District Court of South Carolina and the order of the District Court for the Middle District of North Carolina, has decided intricate questions relating to the operation of the discovery provisions of the Federal Rules of Civil Procedure in the context of multi-district litigation. However, the posture of this case does not, in my judgment, permit consideration of the merits of these appeals. Rather, deference to the admonition that we are to decide only justiciable controversies leads me to the conclusion that these cases should be regarded as moot.[1]

Celanese Corporation and Fiber Industries, Inc. (hereinafter Celanese) are plaintiffs in an action against Leesona and other patentees, in the District Court for the Southern District of Florida. Celanese seeks to depose for the purposes of the Florida litigation Henri Crouzet, the principal executive of Ateliers Roannais de Constructions Textiles (ARCT-France) and ARCT, Inc., a North Carolina subsidiary of ARCT-France.[2] Neither Crouzet nor the ARCT corporations are parties to the Florida suit. The ARCT companies, however, are defendants in a related suit in the South Carolina district court. Celanese, aware that Crouzet, a French citizen, was scheduled to come to South Carolina in July, 1973,[3] filed a motion for a subpoena in the South Carolina district court to compel Crouzet to appear for a deposition with respect to the Florida litigation once Crouzet

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[1] *See* Wright, Federal Courts 35-36 (2d ed. 1970).

[2] ARCT-France is a manufacturer of false twist texturing machinery competitive with that of Leesona. In the United States, ARCT-US acts as the sales, repair and servicing agent for the machinery manufactured by ARCT-France.

[3] Illness delayed Crouzet's trip to South Carolina until, it seems, August.

had completed his duties with respect to the South Carolina suit.

On July 13, 1973, the South Carolina district court ordered that Henri Crouzet was to be immune from any subpoena or other process "while he is within the jurisdiction of this Court to attend proceedings in this Court for the purpose of giving testimony in [the South Carolina] action. . . ." This order, as the relevant memoranda and argument confirm, was designed to protect Crouzet for the limited period he was to be in South Carolina to offer testimony during the course of a deposition concerning the litigation taking place in the South Carolina district court. The deposition in the South Carolina suit has now been completed and Crouzet has long since returned to France, thus rendering any decision with respect to the propriety of the July 13, 1973 order of the South Carolina district court, for all practical purposes in terms of this case, academic. I would, therefore, vacate the July 13th order and remand with a direction that the South Carolina district court dismiss appellants' motion for a subpoena as moot.[4]

Apprised that efforts to secure Crouzet's testimony through the South Carolina district court had failed, Celenase caused subpoenas to be issued by the Clerk of the North Carolina district court. The ARCT companies and Crouzet moved in the North Carolina district court to quash these subpoenas, and requested an appropriate protective order. The North Carolina district court entered an order requiring Celanese to make extensive efforts other than by way of depositions to secure information allegedly possessed by Crouzet, before taking Crouzet's deposition. Such relief does not appear, on its face, to be moot. There is some suggestion in the memorandum issued by the North Carolina district court that

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[4] *See* United States v. Munsingwear, 340 U.S. 36, 39 (1950).

it was Celanese's intention that Crouzet's testimony be secured pursuant to the subpoenas while Crouzet was present in South Carolina to participate in the litigation pending before the district court there. Nevertheless, the order of the North Carolina district court requiring Celanese to make discovery efforts, other than by depositions, indicates that Celanese will be unable to obtain Crouzet's deposition *at any time* unless Celanese completes the preliminary steps required by the North Carolina order, and the results produced by such preliminary steps are determined to be inadequate. The North Carolina district court's order, therefore, would seem, at first blush, to have continuing effect despite Crouzet's return to France.

However, at oral argument, counsel for the ARCT companies and Crouzet agreed that Crouzet's deposition may be taken in France, and counsel for Celanese expressed willingness to conduct the necessary proceedings in France. Counsel for the ARCT companies and Crouzet did suggest that certain guidelines should be imposed, presumably in light of Crouzet's health and the extensive testimony he has already given in the other cases. In view of the statements by counsel indicating that there exist no major impediments to the taking of Crouzet's deposition in France, the dispute among the parties concerning the conditional refusal by the North Carolina district court to permit a deposition would seem at an end, and hence our authority to rule on the merits of the order of the North Carolina district court appears dissipated. Accordingly, the proper course would be, in my judgment, to vacate that order and to remand with a direction that the North Carolina district court dismiss the motion of the ARCT companies and Crouzet to quash the subpoenas issuing out of the North Carolina district court and for a protective order. The ARCT companies and Crouzet, of course, may still de-

sire to petition the North Carolina district court for another protective order to establish guidelines for the taking of Crouzet's deposition in France. Keeping in mind the already protracted nature of this litigation, it would seem that further proceedings relating to Crouzet's deposition should be conducted expeditiously.

For the foregoing reasons, I respectfully dissent from the majority's disposition of these appeals on the merits.

# ORDER FOR THE UNITED STATES DISTRICT FOR THE EASTERN DISTRICT OF SOUTH CAROLINA FILED JULY 13, 1973

Celanese Corporation and Fiber Industries, Inc. (herein referred to as "Petitioners") have moved to have this Court issue a subpoena compelling Henri Crouzet to appear and be deposed in Rock Hill, South Carolina, in Civil Action MDL Docket No. 82, now pending in the United States District Court for the Southern District of Florida (herein referred to as the "Florida Action"). In support of their motion, Petitioners filed a memorandum on July 10, 1973, and argument on the motion was heard by this Court, in the Rock Hill Division, on July 11, 1973.

Petitioners are parties in the Florida Action and seek to depose Mr. Crouzet in such action immediately following his appearance in this Court for the purpose of being examined by plaintiffs the Duplan Corporation, et al. in pre-trial discovery. Henri Crouzet, a French citizen residing in Roanne, France, is the principal executive officer of Ateliers Roannis de Constructions Textiles (herein referred to as "ARCT-France") and ARCT, Inc. who are parties in this action. Neither Petitioner is a party in this action and neither ARCT-France, ARCT, Inc. nor Henri Crouzet are parties in the Florida Action.

Mr. Crouzet was originally scheduled to appear before this Court at Rock Hill, South Carolina, on July 9, 1973, but became seriously ill about one week prior to his planned departure from France. A certificate signed by his physician on July 3, 1973, has been filed in Court and indicates that Mr. Crouzet will not be able to travel for at least one month. Petitioners' motion was timed to coincide with Mr. Crouzet's scheduled appearance before this Court and they were apparently unaware of the change brought about by his illness. Nevertheless, since

counsel for ARCT-France has represented to the Court that it is the intention of Mr. Crouzet to appear after his recovery, this Court found it necessary and desirable to hear the motion and resolve the questions presented.

The Court has fully considered the authorities cited by Petitioners in support of their contentions that Mr. Crouzet will not be immune and should not be immune from service of process while within the jurisdiction of this Court for the sole purpose of being deposed in pretrial discovery in this action. Petitioners further contend that immunity could not in any event attach to Mr. Crouzet in these circumstances because as an officer of two of the parties in this action his presence before the Court is not voluntary. None of Petitioners' authorities support these contentions and indeed the cases on which Petitioners rely most heavily support the conclusion that Mr. Crouzet should be immune from service of a subpoena.

*United States* v. *Bryan*, 339 U.S. 323, and *Hurtado* v. *United States*, 410 U.S. 572 are not in point but simply stand for the proposition that a citizen, when properly summoned, has the duty to produce documents and testify. *Bryan* involved the refusal of a witness before a House Committee to produce records under *subpoena duces tecum*. *Hurtado* involved Mexican nationals who were held in custody to insure their presence as material witnesses in a criminal proceeding against a party who brought them into this country illegally and their duty to testify as it related to their rights to witness fees while in jail. Moreover, neither case involved different suits in different circuits nor the question of whether a witness in one case could be subpoened to testify in another case.

*Lamb* v. *Schmitt*, 285 U.S. 222, involved the issuance of a subpoena to an attorney in one case to testify in a

second case but the second proceeding was merely ancillary to the first and the first action could not have been terminated but for the bringing of the second case. Moreover, the two cases were before the same court and involved essentially the same parties. In fact the court there held that to have allowed immunity from service "would defeat, not aid, the administration of justice in the principle cause." Far from supporting Petitioners, *Lamb* v. *Schmitt*, supports the proposition that immunity does attach on the facts now before this Court. In *Lamb* v. *Schmitt*, *supra*, the Court recognized the general rule in cases of this nature, saying:

> "The general rule is that witnesses, suitors and their attorneys, while in attendance in connection with the conduct of one suit, are immune from service of process in another . . . ." (285 U.S. at 225).

The court went on to say:

> "As commonly stated and applied, it proceeds upon the ground that the due administration of justice requires that a court shall not permit interference with the progress of a cause pending before it, by the service of process in other suits, which would prevent, or the fear of which might tend to discourage, the voluntary attendance of those whose presence is necessary or convenient to the judicial administration in the pending litigation."

Quoting from *Parker* v. *Hotchkiss*, Fed. Case No. 10,739, the court further said:

> "The privilege which is asserted here is the privilege of the court, rather than of the defendant. It is founded in the necessities of the judicial administration, which would be often embarrassed, and sometimes interrupted, if the suitor might be vexed with process while attending upon the court for the protection of his rights, or the witness while attending to testify."

Petitioners rely on *Gardner* v. *United States*, 246 F. Supp. 1014 (S.D.N.Y. 1965) as "directly on point on its facts" for the proposition that Henri Crouzet is not entitled to immunity from service even assuming he is voluntarily present. *Gardner* involved a motion to dismiss a summons and complaint wherein the court held that the movant was "doing business" in New York and amenable to personal jurisdiction under the states' long-arm statute. This case did not involve facts any way comparable to those on this motion.

Finally, Petitioners rely on *McDonnell* v. *American Leduc Petroleum, Ltd.*, 456 F.2d 1170 (S.D.N.Y. 1972) which concerned a bankruptcy proceeding during which the petitioner was served with process. In that case, the proceeding was in reality a discovery device preliminary to a subsequent action in which he was a party. Here again the authority relied on by the Petitioners support a conclusion quite the reverse from that urged. *McDonnell* clearly states that "this and other federal courts have held that immunity from service is granted to witnesses whose appearance is compelled as well as those who appear voluntarily." It further held that "mere similarity of subject matter in two proceedings does not itself justify withholding immunity for purposes of service in the second." Although the court in McDonnell upheld service in the second case, such holding was predicated on the close ties between the two cases in which "the trustee in the first proceeding attended by Slavin is the plaintiff in the second, and these two proceedings involve vindication of the same clustering of rights and interests."

It is plain Hornbook law that "the Federal Courts recognize the principles that parties, witnesses and attorneys, coming from another state, in order to attend court under subpoena or other process, or to represent a party in connection with one suit, are immune from service of

process in another . . . ." (Wright, Federal Courts, Hornbook Series, 1963 edition at pages 230-231.)

In *Dwelle* v. *Allen*, 193 Fed. 546 (S.D.N.Y. 1912), Judge Learned Hand stated:

> "No distinction is made anywhere in the cases, as far as I can find, between a witness under subpoena and one appearing voluntarily. . . ."

See also *In re Equitable Plan Company*, 277 F.2d 319 (CA 2d 1960).

After due consideration, the Court finds that to issue a subpoena to compel Henri Crouzet to testify by deposition in the Florida Action, as requested by Petitioners in this matter, would interfere with the progress of the cause now pending before it and which has been pending many months; that the issuance of a subpoena or any other process against Mr. Crouzet while in this country to attend proceedings in this Court and give testimony would prevent or might tend to discourage his appearance when the Court feels it is necessary or appropriate to the judicial administration of justice that Mr. Crouzet appear in this case. The Court also concludes that under the authorities referred to herein, Mr. Crouzet is entitled as a matter of law to such immunity while in this country to attend proceedings in this Court. Accordingly, Petitioners' motion is denied in all respects and it is hereby

ORDERED, that during Henri Crouzet's presence in this country for the purpose of attending proceedings before this Court to give testimony, he shall be immune from service of subpoena or other process in Action MDL Docket No. 82, now pending in the United States District Court for the Southern District of Florida; and it is further

ORDERED, that the United States Marshal for the District of South Carolina is directed to refuse to serve

any subpoena or other process on Henri Crouzet while he is within the jurisdiction of this Court to attend proceedings in this Court for the purpose of giving testimony in this action, and he is further directed to assign a Deputy Marshal to attend the proceedings before this Court during the time Henri Crouzet is present for the purpose of carrying out and enforcing the Order of this Court granting immunity to Henry Crouzet.

This 13 day of July, 1973.

/s/ Robert W. Hemphill
United States District Judge

## ORDER OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA ENTERED NOVEMBER 15, 1973

THIS CAUSE COMING ON TO BE HEARD AND BEING HEARD ON October 25, 1973, before the undersigned United States District Judge on

### MOTION OF ATELIERS ROANNAIS de CONSTRUCTIONS TEXTILES AND ARCT, INCORPORATED, TO QUASH AND SET ASIDE SERVICE OF PROCESS; FOR ENTRY OF A PROTECTIVE ORDER; AND FOR ATTORNEYS' FEES AND EXPENSES

and the Court having examined the briefs filed by counsel for each of the parties in support of and in opposition to said motion, together with the documents filed in support of said briefs, and having heard extensive oral argument from counsel for both Celanese Corporation and Fiber Industries, Inc. (hereinafter designated plaintiffs) and ARCT, Inc., and Ateliers Roannais de Constructions Textiles (hereinafter designated defendants);

AND IT APPEARING that circumstances exist [1] which, in the opinion of the Court, obviate the immediate necessity for a determination of the question of whether or not this Court has authority or jurisdiction to order the deposition of either of the corporate defendants "through Henri Crouzet, its President," and, accordingly, this issue is expressly left open for decision by the Court at some later date should said issue again

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[1] See MEMORANDUM dictated by the Court at the conclusion of oral argument on defendants' motion, and certified by the Official Reporter of the United States District Court for the Middle District of North Carolina on November 5, 1973.

become a matter of controversy between the plaintiffs and defendants;

NOW, THEREFORE, IT IS ORDERED, ADJUDGED, AND DECREED:

1. That the two subpoenas, dated August 10, 1973, issued by the Clerk of the United States District Court for the Middle District of North Carolina, and directed to ARCT, Inc., and Ateliers Roannais de Constructions Textiles be and the same are hereby quashed without prejudice to the right of the plaintiffs to apply to this Court for the entry of an order allowing the issuance of similar subpoenas, upon:

(a) a showing by plaintiffs that the use of letters rogatory (28 USC 1781, Rule 28(b), Fed. Rules of Civil Procedure) will not produce the information sought to be obtained by plaintiffs by means of oral deposition of Henri Crouzet, and

(b) a showing that good faith efforts have been made to allow the use as evidence in MDL Docket No. 82,[2] depositions of Henri Crouzet, and exhibits related thereto, heretofore taken in C/A 71-306,[3] and that notwithstanding such efforts, said depositions and exhibits cannot, by stipulation or otherwise, be used as evidence in said Florida litigation, and

(c) a showing that even though the previous depositions of Henri Crouzet, and exhibits related thereto, may, by stipulation or otherwise, be used as evidence in MDL Docket No. 82, that such use will not produce the in-

---

[2] Designation for a large number of cases involving similar issues consolidated for discovery in the United States District Court for the Southern District of Florida.

[3] Designation for a large number of cases involving similar issues consolidated for discovery and trial in the United States District Court for the District of South Carolina.

formation sought by plaintiffs from Henri Crouzet for use in MDL Docket No. 82.

(d) a showing that no other reasonable method will suffice to gain the evidence which plaintiffs contend can only be made available to them through the deposition of ARCT, Inc., and/or Ateliers Roannais de Constructions Textiles, through Henri Crouzet, President of each of said defendants:

2. That the foregoing portion of this order is without prejudice to the right of the defendants to contend and to show to this Court that it is without authority or jurisdiction to enter an order allowing a re-issuance of the subpoenas quashed by this order, even though all of the conditions referred to in Paragraph 1(a) (b) (c) (d) above are fully met by plaintiffs, it being expressly understood that the Court has deliberately left this question open for decision, and that nothing herein contained shall be construed as an inference or intimation by the Court that such subpoenas should or should not be allowed.

3. That this order is made by the Court pursuant to the discretionary power relating to discovery procedures vested in the Court by the provisions of Rule 26(c), Fed. Rules of Civil Procedure.

/s/ Eugene A. Gordon
Chief Judge

## MEMORANDUM DICTATED BY THE HONORABLE EUGENE GORDON OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF NORTH CAROLINA ON OCTOBER 25, 1973

This action came on for hearing in the United States Courtroom, Post Office Building, Greensboro, North Carolina, on October 25, 1973, for hearing on a Motion to Quash and for a Protective Order. Mrs. Mary Helen Sears and Walter Rand, III, Esquire, appeared as counsel for the plaintiffs; James N. Buckner, Esquire, and Arthur O. Cooke, Esquire, appeared as Counsel for the defendants.

Plaintiffs in this action seek to depose Henry Crouzet, a citizen of France presently residing in Roanne, France. Henri Crouzet is the chief executive officer of two corporations, Ateliers Roannais de Construction Textiles (hereinafter ARCT-France), and ARCT, Inc., the latter being a North Carolina corporation with its principal office located in Greensboro, North Carolina. ARCT, Inc. is a domestic subsidiary of ARCT-France. These two corporations are defendants in a patent suit now pending in the U. S. District Court for the District of South Carolina (C/A 71-306).

Plaintiffs are party plaintiffs in a similar and related action pending in the U. S. District Court for the Southern District of Florida. It is with respect to this action that plaintiffs seek to depose Crouzet. Neither corporation of which Crouzet is president is a party to the action in Florida, nor is Crouzet in any way a party or in privity with a party to that action. The Florida action has a designation of MDL Docket No. 82.

Plaintiffs first attempted to depose Crouzet when he appeared to be deposed in the South Carolina action. Judge Robert W. Hemphill denied to plaintiffs this re-

quest, relying primarily on the immunity of a witness to service of process when he appears in a separate action. (See exhibit attached to the Motion to Quash.) This decision is now on appeal to the Fourth Circuit, which appeal is now stayed pending the outcome of the motions now before this Court. The stay is only in effect until November 1, 1973.

On August 10, 1973, plaintiffs received two subpoenas under the heading of the Florida Court, but signed by W. R. Idol, Deputy Clerk for and on behalf of Carmon Stuart, the Clerk of this Court. These subpoenas are addressed to the two ARCT corporations, respectively, and command these corporations to appear on August 20, 1973, in Greensboro, to be deposed through Henri Crouzet, President. The ARCT corporations (hereinafter movants) now move before this Court that the subpoenas be quashed, that appropriate protective orders be entered, and that costs and fees be awarded to movants as this Court seems just.

The positions of each party with respect to these motions are exhaustively set forth in supporting memoranda. Movants note that in their efforts to depose Crouzet in his individual capacity, the plaintiffs have taken a legal position which is irreconcilable with their obtaining the subpoenas from this Court. In their earlier efforts, plaintiffs contend that the only court which had jurisdiction to subpoena Crouzet was the South Carolina Court, where the ARCT corporations were parties. Movants contend that to now obtain subpoenas from this Court is inconsistent with this position. Plaintiffs respond that the subpoenas obtained from this Court are addressed to ARCT-France and ARCT, Inc., respectively, as separate legal entities, and that Crouzet's status is that of representative of those corporations.

Movants assert that this Court is without power to subpoena ARCT-France, and that notwithstanding, serv-

ice of process was improper in this case. Plaintiffs' position is that both ARCT corporations are amenable to the compulsory process of this Court, and that service of process was properly accomplished in this case.

Movants claim that the subpoenas involved in this case are technically deficient and therefore should be quashed. In this respect, it is said that the subpoenas fail to describe with reasonable certainty the matters on which examination is requested. Plaintiffs respond that as to this alleged defect, if in fact it is such, it is readily curable and therefore ought not to be a basis for granting a motion to quash. Further, plaintiffs contend that both subpoenas fully comply with the applicable rules.

Further, movants argue that this Court, assuming it has the power to issue the subpoenas in question, and further assuming it has properly done so, should exercise its inherent discretion to quash the subpoenas and issue appropriate protective orders. In general, movants contend that the extent of Crouzet's knowledge, which would be relevant to the plaintiffs' action in Florida, has been exhausted through prior discovery, and that this information is available to plaintiffs. Movants assert that any additional deposing of Crouzet would be fruitless and would amount to no more than harrassment. Plaintiffs set forth the relationship of the Florida suit to that pending in South Carolina, and thereby show the relevance of Crouzet's testimony to the former. This issue appears to be the main thrust of the movants' motion to quash and its resolution, in the opinion of the Court, negates the need to decide the issues raised by the other contentions of the parties.

Rule 26(c) gives this Court discretion to issue such protective order in the discovery process as are deemed necessary. Movants contend that the earlier orders issued by the United States District Court in South Carolina

and by the Fourth Circuit negate any need the plaintiffs might otherwise have to depose Crouzet. To properly consider movants' position, it is necessary to briefly summarize the substantive issues involved in the Florida and South Carolina cases, as the Court seems them.

In the Florida action, the plaintiffs in the case pending before that Court are seeking a judgment to have the patents, held by the Florida patentees, declared invalid. In the South Carolina action, another party plaintiff, not involved in the case pending in Florida, nor in the motions before this Court, is seeking similar relief against certain South Carolina patentees. It appears to the Court that Henri Crouzet is the inventor of at least some of the patents in litigation in South Carolina, and that neither ARCT, Inc. nor ARCT-France is the owner of the patents in question, but that ARCT-France is a licensee of some of the patents. No patent infringement action is pending between the two sets of defendants because of a contractual arrangement entered into between these parties. (See plaintiffs' memorandum in opposition, pp. 1-2). No party to one suit, plaintiff or defendant, is a party to the other action. The patents involved in the litigation in Florida and South Carolina are different patents.

Although Crouzet is in no respect a party to the suit brought by the plaintiffs in Florida, he is the inventor or co-inventor of at least some patents which are in dispute in the South Carolina action. Clearly, as the Court sees it, his testimony could be relevant in the Florida actions as appears from the briefs and the oral argument presented to this Court. Movants contend that prior depositions of Crouzet, already taken and available to the plaintiffs, exhaust any need that the plaintiffs would otherwise have for deposing Crouzet. These depositions, taken on three separate occasions over a period of two years, total almost one thousand pages and were con-

ducted in an adversary proceeding with Judge Hemphill presiding.

Pursuant to an Order dated January 22, 1973, issued by Judge Hemphill, the plaintiffs are entitled to a copy of these depositions, subject to the condition that plaintiffs post a bond, which condition has been met. Plaintiffs have not, however, fully availed themselves of these depositions, such coming into the possession of the plaintiffs only within the last few weeks, and the movants contend that such minimal action should be taken by the plaintiffs before any further attempts to depose Crouzet are made. Movants further point out that any additional information which is relevant to the plaintiffs' suit in Florida, and which Crouzet could provide, could be adequately obtained through the use of letter rogatory. 28 U.S.C. 1781; Fed. Rules of Civil Procedure 28(b).

In view of the broad concept of relevancy embodied in the liberal discovery proceedings, an Order prohibiting the taking of a deposition is seldom granted. Nevertheless, this form of relief is available to the Court when the Court deems its use to be appropriate. Such a situation exists where the deposition of a person has already been taken by the party seeking a second deposition in the same action, or for other reasons the deposition is found to be duplicative. *Moore's Federal Practice*, Section 26.69.

Absent a showing by plaintiffs that there is a need for additional information which is relevant to the Florida suit and that Crouzet can provide this information, the fact situation before this Court would appear to be within the exception to the general rule stated before. Plaintiffs have made no such showing in their memorandum filed in this Court or otherwise. It is important to note that this is not a case where the party seeking to depose a person is unable to make a preliminary showing of relevancy. In such a situation, the Court should not prohibit the taking

of the deposition, for whether or not the deposee possesses relevant knowledge is itself a proper scope of inquiry.

In consideration of all these factors, it is found and concluded that the plaintiffs should now be prohibited from attempting to depose Henri Crouzet, in either his corporate or individual capacity, in all matters related to the action in question pending before the United States District Court for the Southern District of Florida (CA 71-1026-CIV-CA; MDL No. 82). In accordance with this determination, the subpoenas dated August 10, 1973, issued by the Clerk of this Court, and directed to ARCT-France and ARCT, Inc., through Henri Crouzet, are ordered quashed, but without prejudice to the rights of the plaintiffs to again issue similar subpoenas, upon a showing that the use of letters rogatory (28 USC 1781; Federal Rules of Civil Procedure 28(b)) or stipulations allowing the use of the South Carolina depositions in the Florida litigation, will not produce the information needed by the plaintiffs, or some other reasonable method will not suffice to gain needed evidence from Henri Crouzet. Of course, these findings and conclusions by the Court are without prejudice to the right of ARCT, Inc., and ARCT-France, to show the Court that the Court is without authority or jurisdiction to subpoena Henri Crouzet in this case. The Court has deliberately left this question open for decision at some later date. Counsel for ARCT, Inc., and ARCT-France argued this position before the Court, citing cases which the Court is not familiar with. Counsel for the plaintiffs similarly indicated lack of familiarity with the cases. Further, let the record show that counsel for the parties are directed to formalize an Order incorporating these rulings of the Court. The Court places primary responsibility for presenting a proposed formal Order to the Court on counsel for ARCT, Inc., and ARCT-France.

I, Graham Erlacher, Official Reporter of the United States District Court for the Middle District of North Carolina, do hereby certify that the foregoing is a true transcript from my notes of the entries made in the above-entitled Case No. M-172-73, before and by Judge Eugene A. Gordon, on October 25, 1973, in Greensboro, North Carolina, and I do hereby further certify that a copy of this transcript was mailed to each of the below-named attorneys on November 5, 1973.

Given under my hand this 5th day of November, 1973.

/s/ Graham Erlacher
Official Reporter

## ORDER OF THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT DENYING REHEARING FILED SEPTEMBER 13, 1974

YES 12/23/74

"Upon consideration of the Petition for Rehearing filed on September 6, 1974, on behalf of the appellants,

NOW, THEREFORE, with the consent and approval of Judge Adams and Judge Widener, it is ORDERED that the Petition for Rehearing be and the same hereby is denied."

/s/ _____

JOHN A. FIELD, JR.
United States Circuit Judge

COURT, U. S.
FILED
JAN 14 1975

IN THE

# Supreme Court of the United States

October Term, 1974

No. 74-770

CELANESE CORPORATION and FIBER INDUSTRIES, INC.,
*Petitioners,*

*v.*

ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES
and ARCT, INC.,
*Respondents.*

**On Petition for Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit**

## BRIEF IN OPPOSITION

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IN THE

# Supreme Court of the United States

**October Term, 1974**

**No. 74-770**

CELANESE CORPORATION and FIBER INDUSTRIES, INC.,
*Petitioners,*

*v.*

ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES
and ARCT, INC.,
*Respondents.*

**On Petition for Writ of Certiorari to the United States Court of Appeals for the Fourth Circuit**

## BRIEF IN OPPOSITION

This is petitioners' second effort to have this Court review the discretionary power of a District Court in connection with its ancillary discovery proceedings.* As in the case of their previous petition, there are no special or important reasons why the writ should be granted. Peti-

* See *Celanese Corporation and Fiber Industries, Inc., Petitioners,* v. *The Honorable Robert W. Hemphill, District Judge, Respondent,* (No. 73-633), 94 S.Ct. 725 (1973), in which petitioners' petition for writ of certiorari was denied.

tioners have not been denied due process; they have not been denied the right of discovery. There is no appropriate Federal question involved.

In an effort to preserve a proper balance between the respective conveniences of petitioners, respondents and the Court, and to assure the proper administration of justice, the District Courts below have, in their discretion, imposed certain reasonable restrictions on petitioners' unreasonable efforts to compel Henri Crouzet, a French citizen residing in France, to appear in the United States and be deposed in discovery proceedings pending in an action in which neither Mr. Crouzet nor any company with which he is associated, including the respondents herein, are parties.*

Specifically, petitioners take exception to two interlocutory orders, one of the District Court of South Carolina (per Judge Hemphill), filed July 13, 1973 (9a-14a) and the other of the District Court for the Middle District of North Carolina (per Chief Judge Gordon), dated November 15, 1973 (15a-17a). Neither order denies petitioners the right to compel Henri Crouzet to appear and be deposed in their Florida action.

Following well established precedents, the South Carolina District Court granted Henri Crouzet limited immunity, the order providing that Mr. Crouzet could not be

* Petitioners are parties in an action pending in the District Court for the Southern District of Florida (Civil Action 71-1026-CIV-CA). Respondents are parties in an unrelated action pending in the District Court for the District of South Carolina (Civil Action 71-306). Petitioners are not parties in the South Carolina proceeding and respondents are not parties in the Florida action.

subpoenaed by petitioners while he was attending proceedings in that Court for the purpose of giving testimony (11a-13a). Nothing in such order, however, would prevent the issuance and service of a subpoena on Mr. Crouzet within the District of South Carolina if his presence there was for any other purpose.

The order of the District Court for the Middle District of North Carolina was in the nature of a protective order. The quashing of petitioners' subpoenas was expressly made without prejudice to the rights of petitioners again to have subpoenas issued upon a showing that the depositions taken in the South Carolina action,* supplemented, if necessary, by 'he use of letters rogatory, would not produce the information needed by petitioners in their Florida action (16a-17a).

The three questions presented in the petition for certiorari do not fairly state issues raised in the record or by the decision of the Court of Appeals. There is only one issue and that is whether or not it was an abuse of discretion for the District Courts to provide reasonable safeguards for the protection of a prospective non-resident witness in an ancillary discovery proceeding. The Court of Appeals has thoroughly reviewed the action of both District Courts and upon substantial authority has held there was no such abuse (2a-4a). Petitioners' contrived questions do not establish an adequate reason for this Court to review that decision or to overrule the well established precedents on which the Courts below rely.

* Judge Gordon observed: "These depositions, taken on three separate occasions over a period of two years, total almost one thousand pages and were conducted in an adversary proceeding with Judge Hemphill presiding" (21a-22a).

## Conclusion

**The petition for writ of certiorari should be denied.**

Respectfully submitted,

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*Attorneys for Respondent ARCT, Inc.*

No. 74-779

---

[redacted] AND CABLE INDUSTRIES, INC.,
*Petitioners,*

v.

[redacted] DE CONSTRUCCIONES TECNICAS AND
ARCT, Inc.,
*Respondents.*

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[redacted] IN SUPPORT OF PETITION FOR WRIT
OF CERTIORARI TO THE UNITED STATES COURT
OF APPEALS FOR THE FOURTH CIRCUIT

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296-8855

*Attorneys for Petitioners*



[redacted] - Argo Printing Co., [redacted] Rd 7-6008 - Washington, D. C. 20001

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1974

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No. 74-770

---

CELANESE CORPORATION AND FIBER INDUSTRIES, INC.,
*Petitioners,*

v.

ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES AND ARCT, INC.,
*Respondents,*

---

## REPLY BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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I. Respondents' "Brief in Opposition" to the petition for writ of certiorari in this case is significantly misleading in at least the following respects:

1. It is *incorrect* that the action in South Carolina to which respondents are parties is "unrelated" (R. Br. 2, footnote) to the Florida litigation in which petitioners are parties. Both cases importantly involve, *inter alia*, the legality under the antitrust laws of a March 31, 1964 "patent exploitation treaty" between respondents and petitioners' opponents in the Florida litigation (Pet. 7). Judge Gordon of the District Court for the Middle District of North Carolina, whose challenged order underlies

Question 3 of the petition, characterized the Florida litigation as "similar and related" to the South Carolina litigation (Pet. 18a). Significantly, in an order dated December 19, 1974, the Honorable Robert W. Hemphill, district judge presiding over the South Carolina litigation, specifically characterized the Florida litigation as "the companion case to this [South Carolina] suit. . ." [1]

2. Respondents are *wrong* that the district court orders, affirmance of which by the Fourth Circuit majority led to the pending petition, were "interlocutory" (R. Br. 2). Respondents' attempt to dismiss Appeal No. 73-2450 [2] on that specific ground resulted in a unanimous March 28, 1974 order by the Fourth Circuit panel, explicitly holding that the district court order was final and hence appealable under 28 U.S.C. 1291.[3] Not even respondents

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[1] Pertinent portions of the 19-page "Supplemental Order to Order of May 30, 1974" entered December 19, 1974 by Judge Hemphill are reproduced, *infra*, at 1b to 10b. The cited characterization, from note 4, p. 6 of the order as entered, appears at 3b.

As the distribution list (1b) shows, this "supplemental order" was mailed on the date of entry to Granville M. Brumbaugh and Arthur O. Cooke, counsel who subsequently signed the Respondents' "Brief in Opposition" in this Court.

[2] Appeal No. 73-2450 in the court below was from the order of the District Court for the Middle District of North Carolina. Appeal No. 73-1930 was from the order of the District Court for the District of South Carolina. The two were consolidated for briefing and argument below.

[3] The March 28, 1974 order of the Fourth Circuit appears *infra*, 11b to 12b.

[4] See the "Statement of Issues Presented for Review", reproduced at 13b to 14b, from pp. 1-2 of petitioners' Brief on Appeal below. In their reply brief below, petitioners further emphasized that "Contrary to the contentions of the ARCT companies . . . there is *no issue* on this consolidated appeal of an alleged abuse of discretion by either court below. Rather, both appealed decisions rest upon misapplications of the law. . . ." (pp. 1-2). In seeking rehearing below, petitioners presented reasons 3, 4 and 5 which

have previously suggested that Appeal No. 73-1930 in any way involved an "interlocutory" order. The Fourth Circuit reviewed *both* orders on their merits in a consolidated appeal in recognition of the fact that they cannot and will not be reviewed on appeal in the Florida litigation to which they are ancillary and that hence, they fall within the collateral order doctrine of *Cohen* v. *Beneficial Industrial Loan Corp.*, 337 U.S. 541 (1949).

3. The representation that the district court orders which the Fourth Circuit majority affirmed were "discretionary" (R. Br. 1) is question-begging. The questions posed in the petition—which were also squarely posed in the Fourth Circuit and hence are not in any sense "contrived" (R. Br. 3)—seek an answer to whether district courts *have power*, discretionary or otherwise, to take any of the challenged actions.

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correspond respectively to issues subsumed in Questions 1, 2 and 3 of the petition and are as follows:

> "3. The opinion fails to explain how Crouzet—by operation of law a resident of North and South Carolina for service of process in his capacity as president of the ARCT French and American companies—legitimately can claim *bona fide* 'non-resident' status for purposes of immunity from service of a subpoena to testify.
>
> "4. To the extent that the decision tacity approves the South Carolina court's unilateral suspension of its clerk's authority to issue a subpoena directed to Crouzet and other French witnesses, it creates a dangerous precedent for arbitrary suspension of the federal rules by district courts generally, which in the narrow compass of Rule 45, results in shifting the burden of proof from the party seeking to quash a subpoena to the party on whose behalf it is sought to be issued.
>
> "5. To the extent the decision affirms the order of the North Carolina district court, it effectively excises the 'good cause' requirement from Rule 26(c) and invests district courts with unlimited discretion to arbitrarily foreclose the taking of depositions." (Petition for Rehearing, p. 2).

*If*, as petitioners contend, the power to enter the challenged orders was *lacking*, then *a fortiori* their entry was a usurpation rather than a mere "abuse"—and inquiry by the court below into the issue of "abuse of discretion" (R. Br. 3) was a footless exercise.

4. It is *not correct* that "neither [district court] order denies petitioners the right to compel Henri Crouzet to appear and be deposed in their Florida action" (R. Br. 2).

Respondents imply that the testimony could be procured in South Carolina *if* Crouzet came there "for any other purpose" than to give testimony in the South Carolina litigation (R. Br. 3). They are careful, however, *not* to suggest that the South Carolina district court has ever rescinded its initial oral instruction to its Clerk to issue no subpoenas for Crouzet testimony to be taken in the Florida case—no doubt because that action still stands. The suggestion that some "other purpose" for Crouzet's presence in South Carolina might lead to a different result there is hollow in view of this standing instruction and the district court's failure to follow the case law that would have required proof that Crouzet appeared in South Carolina *solely* to give testimony in the South Carolina case as a prerequisite to the grant of "immunity." [5]

The North Carolina order is equally a *de facto denial* of petitioners' right to take the Crouzet testimony. Petitioners showed, before the order was entered, that as a matter of law the Crouzet testimony taken in the South Carolina action where neither petitioners nor their opponents in the Florida case were permitted to be represented is inadmissible for any purpose in the Florida

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[5] See in this regard *Republic Productions, Inc.* v. *American Federation of Musicians*, 173 F. Supp. 330, 333-4 (S.D.N.Y. 1959); *Dillingham* v. *Anderson*, 126 F. Supp. 221 (D. Hawaii, 1954).

case. Petitioners also showed at the same time, as a matter of law and fact, that letters rogatory are *not* enforced in France. It is difficult to envision a stronger demonstration that a combination of the South Carolina deposition transcripts with letters rogatory *could* "not produce the information", *including evidence*, "needed by petitioners in their Florida action" (R. Br. 3). Entry of the North Carolina order in the teeth of that showing demonstrates irrefutably that the purpose and effect of the order is to deny petitioners the right to take Crouzet's testimony.

II. The South Carolina court's order of December 19, 1974 (*infra*, 1b to 10b) supplies a further persuasive reason for granting certiorari as to Question 1. As the petition points out (pp. 17-18) the immunity doctrine should be "reevaluated in relation to the 'judicial necessities' of modern complex multi-district litigation". The December 19 South Carolina order not only recognizes that the Florida case is a "companion case" to the South Carolina case (3b), but holds that facts commonly involved in both actions *prima facie* demonstrate that the "patent exploitation treaty" at issue in both was consummated in bad faith incident commission of a fraud, crime or tort, thereby vitiating the attorney-client privilege for all facts relating to its consummation and implementation (4b to 10b). The decision of the Fourth Circuit majority below was made without benefit of this subsequent important holding of the South Carolina court.

This December 19, 1974 South Carolina order highlights the inconsistency between the majority decision below and the authorities cited at Pet. 18 which hold that "immunity" is unavailable to defeat the right to take testimony in one of two actions involving common fact questions, even when bad faith is *not* involved. This

situation alone suggests strongly that reevaluation of the immunity doctrine by this Court is overdue.

## CONCLUSION

The petition should be granted.

Respectfully submitted,

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296-8855

*Attorneys for Petitioners*

# APPENDIX

## APPENDIX

OFFICE OF THE CLERK

UNITED STATES DISTRICT COURT
*DISTRICT OF SOUTH CAROLINA*

Columbia 29202
P.O. Box 867

December 19, 1974

Howard Burns, Esquire
Jay Greenfield, Esquire
Thomas A. Evins, Esquire
Granville A. Brumbaugh, Sr., Esquire
Rufus M. Ward, Esquire
Arthur O. Cooke, Esquire
T. T. Moore, Esquire
David Rabin, Esquire
McNeill Smith, Esquire
David L. Foster, Esquire
Charles B. Park, III, Esquire
William K. West, Jr., Esquire
Edward P. Perrin, Esquire
Fletcher C. Mann, Esquire
O. G. Calhoun, Esquire
Granville M. Pine, Esquire

Re: DMRC consolidated cases, C/A 71-306

Gentlemen:

I am enclosing a copy of Supplemental Order to Order of May 30, 1974 filed in the above matter this date.

Very truly yours,

Miller C. Foster, Jr.
Clerk

by: /s/ John C. Rogers
Deputy Clerk

enclosure

IN THE
DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF SOUTH CAROLINA
SPARTANBURG DIVISION

[Original Filed Dec. 19, 1974, Miller C. Foster, Jr.]

Consolidated Civil Action No. 71-306
Civil Action No. 70-968 and
Civil Action No. 69-1096
Also Civil Action Nos.

68-705; 69-777; 70-14; 70-189; 70-250; 70-295; 70-358; 70-385; 70-386; 70-391; 70-493; 70-622; 70-628; 70-677; 70-683; 71-87; 71-88; 71-89; 71-90; 71-91; 71-92; 71-93; 71-94; 71-95; 71-96; 71-97; 71-98; 71-99; 71-100; 71-101; 71-102; 71-115; 71-126; 71-127; and 71-283

THE DUPLAN CORPORATION,
*Plaintiff,*

—against—

DEERING MILLIKEN, INC., DEERING MILLIKEN RESEARCH CORPORATION, MOULINAGE ET RETORDERIE DE CHAVANOZ, ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES, AND ARCT, INC.,
*Defendants.*

DEERING MILLIKEN RESEARCH CORPORATION,
*Plaintiff,*

—against—

THE DULAN CORPORATION AND
BURLINGTON INDUSTRIES, INC.,
*Defendants.*

THE DUPLAN CORPORATION, ET AL.,
*Plaintiffs on the Counterclaim,*

—against—

DEERING MILLIKEN RESEARCH CORPORATION,
*Defendant on the Counterclaim,*

and

DEERING MILLIKEN, INC., MOULINAGE ET RETORDERIE DE CHAVANOZ, ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES, AND ARCT, INC.,
*Additional Defendants on the Counterclaim.*

## SUPPLEMENTARY ORDER TO ORDER OF MAY 30, 1974

Another reason for this massive in-camera submission in this case is the bitterness, hostility, and distrust that the attorneys have developed for each other. Claims of privilege have been doubted and, in some situations, rightfully so. As a result, this court has been saddled with the burden of conducting this in-camera examination. This court has no qualms about saying that this has been the most arduous task it has ever undertaken in its 26 years of public service. This case has already been pending five years and, if it never gets to trial, it will not be because this judge has not tried, it will be because he has died![4]

[4] This display of gladiator-type advocacy appears to be prevalent in patent-antitrust suits. See Clark, the Risks and Costs of Patent Litigation: A House Counsel's View, 1973 Utah L. Rev. 618, 619-23, in which a patent attorney discusses the personal bitterness and burdensome, harassing discovery process in such suits. As an example, the author discusses the companion case to this suit in which many of the same parties are involved. In re Yarn Processing Patent Validity Litigation (M.D.Fla. 1968-present) is a consolidated multi-district case of 51 suits involving Leesona Corp., the chief competitor of the associates herein. In that case, four million

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## CRIME, FRAUD OR TORT EXCEPTION TO THE ATTORNEY-CLIENT PRIVILEGE

In this court's order of May 30, 1974, pages 31 and 32, it was stated that there must be a prima facie showing of a crime, fraud, or tort before an exception to the attorney-client privilege will be created, requiring production of otherwise confidential communications between an attorney and a client.

The throwsters have asserted that there were frauds perpetrated upon the United States Patent Office in the prosecution of certain applications and that there was a business tort committed by the settlement in 1964 of patent-antitrust litigation in Boston and South Carolina between the associates and Leesona Corporation, their chief competitor.

There has been a prima facie showing of frauds in prosecution of U.S. Pat. Nos. 3,137,119 and 3,382,656 by a finding of invalidity under 35 U.S.C. § 102(d), for filing the U.S. application more than one year after the foreign counterpart patent issued. See this court's order appearing at 353 F.Supp. 826 (D.S.C. 1973), affirmed per curiam, 487 F.2d 459 (4th Cir. 1973), cert. denied, 39 L.Ed.2d 874 (March 18, 1974). In the prosecution of applications, prima facie evidence of an intent to defraud the Patent Office could be found in the privileged communication itself. In such situations, a fraud exception to the attorney-client privilege is recognized by this court. Of course, such a finding is not to be taken as a presumption of this court's final disposition on the merits.

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documents have been produced and 250 witnesses deposed. This consolidated multi-district case embraces 37 suits. Here, only one million documents have been produced and a mere 85 witnesses deposed.

The throwsters have made a prima facie showing that various other frauds were perpetrated upon the Patent Office in the prosecution of some of the 18 other applications that issued as patents. Such findings appear in the analysis of various documents ruled upon in the appendix hereto, relating to the particular patent charged to be fradulently obtained. Such a finding removes the attorney-client privilege under the fraud exception, for communications among the corporate patent owner, the assignor-inventor, and the various patent attorneys and agents who handled the applications.

For some of these applications which have issued and are still valid patents, the privileged attorney-client communications submitted in-camera gave further prima facie evidence of a fraud on the Patent Office while other such communications tend to negate the commission of any fraud.

In both instances, this court has removed the attorney-client privilege because of the prima facie showing made from other documents. The associates have asserted that such a ruling is too harsh where the attorney-client communication shows that no such fraud was committed. They suggest that the privilege should be honored in such instances and the throwsters should be left to their own devices. This court is constrained to disagree.

Where a prima facie showing of fraud has been made from other documents, production will be ordered of otherwise privileged attorney-client communications which tend to show the innocence, as well as the guilt, of the parties charged with the fraud. With a prima facie showing of fraud staring in its face from other documents, the court will not deny production of in-camera documents tending to show innocence because to do so will effectively constitute a prejudgment of the case and cast a shadow upon the integrity of the court.

It is a serious charge that a fraud has been perpetrated upon the Patent Office, casting a doubt on the validity of the patent involved. The true state of affairs must come out. The innocent parties must be vindicated; valid patents should not continue to exist under any doubts and, where there has been a fraud, the patent should be invalidated.

There has also been a prima facie showing of a business tort, i.e., an antitrust violation under Sherman Act § 1 for an unreasonable restraint on trade, by the 1964 settlement agreement between the associates and Leesona Corporation. That a settlement of a patent case by competitors may constitute an antitrust violation was clearly established in *United States* v. *Singer Mfg. Co.*, 374 U.S. 174 (1963). Nevertheless, the fact of settlement does not establish by itself a prima facie showing of a business tort. There must be at least a prima facie showing of bad faith on the part of one party in entering into the settlement agreement. In a patent-antitrust case, this may be established by a showing that one party believed it had a substantial likelihood of success in declaring the opponent's patents invalid [5] and in proving the opponent guilty of an antitrust violation. The throwsters have made such a showing.

In order to remove the privilege on attorney-client documents bearing on the associates' opinion that there was a substantial likelihood of success in declaring the opponent's patents invalid, the throwsters offer Exhibit No.

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[5] The throwsters have been using the terminology that the associates had "knowledge" of the invalidity of Leesona's Permatwist patents in the terminated Boston and South Carolina lawsuits. Such a characterization is inapposite because an attorney cannot "know" that a patent is invalid but only can render a professional opinion that there is a substantial likelihood that a court would find the patent invalid. A patent does not become invalid until declared so by the final appellate court and therefore there can be no such "knowledge" of invalidity, only surmise thereof.

2129, a one page letter from Dr. Norman C. Armitage, corporate general house counsel and Vice-President of the client, DMRC, to Mr. John H. Bolton, Jr., Vice-President in charge of Marketing for the client, Whitin Machine Works, dated August 25, 1961. The exhibit states:

> The sessions this week at Mr. Brumbaugh's office [patent attorney for the clients] were very valuable. The principal reason for our meeting was to go over the prior art patents in the matter of the Leesona v. Cotwool suit [in South Carolina] and we made notations on a good number which should convince any court that the three [Permatwist] patents [owned by Leesona] in suit are fully anticipated [i.e., invalid under 35 U.S.C. § 102(a)].

The associates make two counter arguments. First, this statement was made before Burlington, the largest throwster in the world and a party on the opposing side in this case, entered into a 1963 settlement agreement, via its subsidiary, Madison Throwing Co., with Leesona in which it acknowledged the validity of the Permatwist patents.[6] Second, the settlement agreement on the patent issue was prompted by a declaration of validity of the Permatwist patents in the courts of Canada, a country which has patent laws very similar to those in the United States, in February, 1964, more than one month before the settlement agreement now being questioned was finalized.

These counter arguments, although they may carry the day on the merits, need not be answered by this court at this time because the court's function in making a

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[6] Stoddard and Seem U. S. Pat. Nos. 2,803,105, 2,803,106, and 2,803,108. These patents were declared invalid under 35 U.S.C. § 102(b) for a public use more than one year before the applications were filed in In re Yarn Processing Patent Validity Litigation, 360 F.Supp. 74 (M.D. Fla. 1973), reversed, 498 F.2d 271 (5th Cir. July 29, 1974). Of course, no one in 1964 had the benefit of foresight as to this 1973 decision.

determination as to whether there has been a prima facie showing is akin to that of a grand jury, i.e., only the evidence of the prosecution is considered and in the most unfavorable light against the accused.

In order to remove the privilege on attorney-client documents bearing on the associates' opinion that there was a substantial likelihood of success in proving the opponent guilty of an antitrust violation, the throwsters offer Exhibit No. 633-A, a three-page letter from Dr. Armitage to Mr. Leo M. Soep, a French patent agent and the representative of the client, Chavanoz, dated August 19, 1963. the exhibit states:

> You will recall that at the time of our meetings in New York and Boston I raised the question as to whether there might not be a valid counterclaim by Whitin against Leesona for violation of the anti-trust statutes. Granville [M. Brumbaugh, Sr., Esquire] has taken this under consideration and has now reached an opinion that Whitin would have a good chance of establishing such a counterclaim. He is consulting with an expert in anti-trust matters to see whether this expert agrees with him, and a decision will then have to be made as to whether the counterclaim will be lodged.

Even though armed with an attorney's opinion that the Permatwist patents owned by Leesona were invalid under 35 U.S.C. § 102(a) for anticipation by the prior art and that Leesona was most probably guilty of violating the antitrust laws, the associates entered into the settlement agreement with Leesona on March 31, 1964. The two exhibits quoted above would indicate alone a prima facie showing of bad faith in settling the Boston and South Carolina lawsuits out of court. The United States Supreme Court has said that it is not enough for the party owning the patents to be in good faith in settling a lawsuit; *all* parties must be in good faith. See *Standard Oil Co. (Indiana)* v. *United States*, 283 U.S. 163 (1931).

Thus, this prima facie showing of an antitrust violation establishes the tort exception to the attorney-client privilege, requiring production of all confidential communications that show the opinions of the associates' attorneys with respect to' first, the invalidity of Leesona's Permatwist patents; second, the non-infringement thereof by ARCT FT machines; and third, the violation of the antitrust laws by Leesona.

This tort exception to the attorney-client privilege will be considered to be applicable only after, and not before, the settlement negotiations were begun because the alleged bad faith could not come into existence until such time. It is not a tort for an attorney to give an opinion to his client that there is a good case against the opposing party. Only after the client, armed with the attorney's opinion, enters into negotiations with the opposing party *and* eventually settles a patent case, does any inference of an antitrust conspiracy arise. Because of the nature of a patent as a limited monopoly, settlement of patent cases must be viewed by the courts with extreme care.[7] Of course, if the case is not settled and goes to trial on the merits, as occurred in the Brooklyn litigation between DMRC and Leesona, the abortive settlement negotiations

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[7] As a legislative reaction to the settlement of interferences in the Patent Office, found by lower federal courts to be sometimes an antitrust conspiracy in violation of Sherman Act § 1, and eventually so recognified in 1963 by the Supreme Court in Singer, supra, Congress enacted 35 U.S.C. § 135(c) (1962) which provides:

> Any agreement or understanding between parties to an interference, including any collateral agreements referred to therein, made in connection with or in contemplation of the termination of the interference, shall be in writing and a true copy thereof filed in the Patent Office before the termination of the interference as between the said parties to the agreement or understanding. . . .

cannot give rise to any inference of an antitrust conspiracy.

/s/ Robert W. Hemphill
ROBERT W. HEMPHILL
United States District Judge

Columbia, South Carolina

December , 1974

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 73-2450

[Filed Mar. 28, 1974, William K. Slate, II, Clerk]
CELANESE CORPORATION AND FIBER INDUSTRIES, INC.,
*Appellants,*

v

LEESONA CORPORATION, *et al.*,
*Appellees.*

In the matter of:
SUBPOENAS FOR TESTIMONY OF ATELIERS ROANNAIS DE CONSTRUCTIONS TEXTILES AND ARCT, INC.

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Appeal from the United States District Court for the Middle District of North Carolina, at Greensboro.
Eugene A. Gordon Chief Judge.

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ORDER

The appellees, Ateliers Roannais de Constructions Textiles and ARCT, Inc., move to dismiss this appeal on the grounds that the district court's order quashing two subpoenas directed against Henri Crouzet, appellees' president, was not an appealable order. The subpoena proceedings below were ancillary to patent and antitrust litigation pending in the United States District Court for the Southern District of Florida. Since the ultimate relief sought by this ancillary proceeding has been denied, and no review nor relief may be had in the main proceedings

in Florida, the district court's order is appealable as a final order under 28 U.S.C. § 1291.[1] *See Natta* v. *Zletz*, 379 F.2d 615, 618 (7th Cir. 1967).

Accordingly, the appellees' motion to dismiss the appeal is *denied.*

/s/ [Illegible]
United States Circuit Judge

/s/ [Illegible]
United States Circuit Judge

/s/ [Illegible]
United States Circuit Judge

[1] The order is a final appealable order notwithstanding the fact that it was entered without prejudice to appellants subsequently seeking subpoenas. *See Natta* v. *Zletz, supra,* at 618.

# IN THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

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Nos. 73-1930 and 73-2450

CELANESE CORPORATION AND FIBER INDUSTRIES, INC.,
*Appellants,*

v

ATELIERS ROANNAIS de CONSTRUCTIONS TEXTILES and ARCT, INC.,
*Appellees.*

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Consolidated Appeals from the United States District Court for the District of South Carolina and the United States District Court for the Middle District of North Carolina

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## BRIEF OF APPELLANTS

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## STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Does an alien corporation which elects to conduct business in the United States on a regular basis necessarily also accept the obligation to uphold its laws, *inter alia*, by discharging the general duty to supply non-privileged testimony, within the scope of Rule 26(b) of its officers and managing agents when called upon to do so?

2. May an alien corporation engaged in doing business in the United States, *inter alia*, through an Ameri-

can subsidiary corporation resident in North Carolina exempt that subsidiary from the duty to provide non-privileged testimony within the scope of Rule 26(b) of its officers and managing agents by the mechanism of naming a French national, resident in France, as president of both corporations?

3. Was the refusal of the courts below to compel testimony of Henri Crouzet in MDL No. 82 in derogation of a duty imposed by the Federal Rules to aid the search for truth in litigation pending before sister courts?

4. May a federal court, having personal jurisdiction over an alien corporation and its United States subsidiary in a pending case and hence having power to compel appearance of their mutual non-resident, foreign national, president for testimony, utilize the president's allegedly "voluntary" appearance without formal process as a pretext for refusing on "immunity" grounds to issue a subpoena to compel his testimony, while present in the district, in a different civil action pending before another federal court?

5. Does Rule 26(c) give the federal district courts "discretion" to enter protective orders indiscriminately even though good cause has not been demonstrated?

6. May an auxiliary federal district court utilize Rule 26(c) as a pretext for requiring a party seeking discovery admittedly within the scope of Rule 26(b) in aid of a civil action pending before a primary court in another district to furnish an evidentiary good cause showing as a prerequisite to allowing the discovery?

CERTIORARI DENIED